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IREM legislative update: Housing and Economic Recovery Act

October 27, 2008 - Upstate New York

Congress acted quickly to pass the legislation in an effort to repair the U.S. economy.â€¯ The senate amended the "Emergency Economic Stabilization Act of 2008" bill and passed it by a vote of 74 to 25 on Oct. 1. Two days later on Oct. 3, the house voted 223 to 205 to approve of the senate's changes.â€¯ Hours later, the President signed the Emergency Economic Stabilization Act of 2008 into law. Provisions of the 451-page law that are of particular interest to IREM members are highlighted below.â€¯

Highlights of tax provisions: â€¯

* Extends the Energy Efficient Commercial Buildings Deduction for five years, through Dec. 31, 2013.â€¯ Current law allows taxpayers to deduct the cost of energy-efficient property installed in commercial buildings The amount deductible is up to $1.80 per s/f of building floor area for buildings achieving a 50% energy savings target. â€¯The energy savings must be accomplished through energy and power cost reductions for the building's heating, cooling, ventilation, hot water, and interior lighting systems.â€¯

* Provides AMT relief.â€¯ The Alternative Minimum Tax (AMT) was created in 1969 to prevent a small number of wealthy Americans from evading paying taxes.â€¯ Over the years the AMT has come to affect more people every year because the AMT is not indexed for inflation. â€¯This law prevents an estimated 26 million Americans from having to pay more in taxes this year.

* Natural disaster tax relief.â€¯ Provides temporary tax relief for areas damaged by midwestern severe storms, tornados, and flooding. Temporary tax-exempt bond financing and low-income housing tax relief for areas damaged by Hurricane Ike.

* Extends leasehold improvements.â€¯ Extends the 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements through Jan. 1, 2010 for property placed in service after Dec. 31, 2007.â€¯ Extends the 15-year recovery period for depreciation of certain improvements to retail space through Jan. 1, 2010 for property placed in service after Dec. 31.â€¯

Highlights of the Troubled Asset Relief Program:

* Purchases of troubled assets. The U.S. treasury is authorized to establish a Troubled Asset Relief Program (TARP) to purchase troubled assets from financial institutions. The law includes provisions to prevent unjust enrichment by participants in the program. A Financial Stability Oversight Board will be established to ensure that the policies the secretary of the treasury is implementing protect taxpayers and are in accordance with the economic interests of the U.S.

* For mortgages and mortgage-backed securities acquired through TARP, the treasury secretary must implement a plan to mitigate foreclosures and to encourage servicers of mortgages to modify loans through various programs. The secretary will be allowed to use loan guarantees and credit enhancements to avoid foreclosures.â€¯

* Limits executive compensation. The treasury secretary will write executive compensation rules governing financial institutions that sell the government troubled assets.â€¯ Where the Treasury buys assets directly, the financial institution must observe standards limiting incentives and prohibiting golden parachutes.
* Authorization to purchase troubled assets.â€¯ Authorizes the full $700 billion requested by the treasury secretary for implementation of TARP.â€¯ The secretary is allowed to use $250 billion of those funds immediately in authority under this law.â€¯ Upon a Presidential certification of need, the secretary may access an additional $100 billion.â€¯ The final $350 billion may be accessed if the President transmits a written report to congress requesting such authority.â€¯
* Raises the statutory limit on public debit from $10 trillion to $11.3 trillion. â€¯(As of Oct. 3, the public debt is $10.128 trillion)â€¯â€¯ â€¯â€¯â€¯â€¯
* Strengthens the Hope for Home-owners program to increase eligibility and improve the tools available to prevent foreclosures.

Raises the FDIC and the National Credit Union Share Insurance Fund deposit insurance limits from $100,000 per account to $250,000 until Dec. 31, 2009. Temporarily raises the borrowing limits at the treasury for the FDIC and the National Credit Union Share Insurance Fund.